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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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Commissioner-Chairman

RENZ D. JENNINGS

Commissioner

CARL J. KUNASEK

Commissioner

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IN THE MATTER OF THE STRANDED
COST FILING AND REQUEST FOR A
WAIVER OF CERTAIN PORTIONS OF
THE RULES FILED BY DUNCAN
VALLEY ELECTRIC COOPERATIVE, INC.

DOCKET NO. E-01703A-98-0469

**DUNCAN VALLEY ELECTRIC
COOPERATIVE, INC.'S
RESPONSE TO THE STAFF
REPORT DATED
NOVEMBER 13, 1998**

Duncan Valley Electric Cooperative, Inc. ("Duncan") submits this response to the Staff Report dated November 13, 1998.¹ Duncan does not request a hearing in light of the recommendations set forth in the Staff Report.

Because of its all-requirements agreement with AEPCO, Duncan had requested deferral of consideration of its generation related stranded costs pending a Commission ruling on AEPCO's regulatory assets and transmission revenues request. Staff recommends that once the Commission acts on AEPCO's request "the Commission should also approve a pass-through mechanism applicable to Duncan's distribution customers." Duncan supports this recommendation.

As to distribution related stranded costs, Duncan requested a waiver of the Rules allowing it to make a filing in relation to such costs once they are ascertainable. Staff recommends that Duncan be allowed to make application for such costs in the context of a distribution rate case. Duncan also supports this recommendation.

In light of the foregoing, Duncan requests that the Commission enter its Order:

¹ Page 10-11 of the Staff Report dealt with Duncan's stranded cost filing.

1. Authorizing Duncan to pass through to its customer owners any stranded cost related charges approved by the Commission for AEPCO and
2. Authorizing Duncan to seek approval for recovery of its distribution related stranded costs, if any, in future rate cases.

RESPECTFULLY SUBMITTED this 23rd day of November, 1998.

GALLAGHER & KENNEDY, P.A.

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Cooperative, Inc.

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of the foregoing document filed
this 23rd day of November, 1998, with:

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mailed this 23rd day of November,
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